

# AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF DIMONDALE	County EATON
Audit Date FEBRUARY 28, 2006	Opinion Date APRIL 28, 2006	Date Accountant Report Submitted to State AUGUST 31, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audit)			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, CPA			
Street Address 3775 Kimmel Road	City Horton	State MI	Zip 49246
Accountant Signature 			

# **VILLAGE OF DIMONDALE**

**FINANCIAL STATEMENTS**

**FEBRUARY 28, 2006**

# **VILLAGE OF DIMONDALE**

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## **Village Office:**

136 N. Bridge St., P.O. Box 26  
Dimondale, Michigan 48821 (517) 646-0230

## **Village Officers:**

Michael D. Chappell, Village President

Denise M. Parisian, Village Manager

James E. Albertson, Street Administrator

Charles Cribley, Fire Marshall

Michael Dent, Code Enforcement Officer

## **Village Trustees:**

Roland Self

Terry Rood

Garry Macak

Scott Ammarman

Beth E. Everson

Ralph Reznick

# VILLAGE OF DIMONDALE

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## **INDEPENDENT AUDITOR'S REPORT**

Village Council  
Village of Dimondale  
Dimondale, Michigan 48821

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund, of the Village of Dimondale, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Dimondale's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund, of the Village of Dimondale as of February 28, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2006, on our consideration of the Village of Dimondale's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Village Council  
Village of Dimondale

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 31-34 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dimondale's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.  
Certified Public Accountant

April 28, 2006

This section of the Village of Dimondale's annual financial report presents discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2006. It is best read in conjunction with the Village's financial statements that follow this section.

### Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Dimondale financially and the two types of statements present different views of the Village. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

### Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net assets - the difference between assets and liabilities- as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Village charges fees to customers to cover the costs of providing this service.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help control and manage money for particular purposes or to demonstrate that legal responsibilities are being met.

The Village currently has two types of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Village's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

Proprietary funds - Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise fund, the Sewer Fund, is a type of proprietary fund.

### The Village as a Whole

The statement of net assets presents the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of February 28, 2006 and 2005, in thousands of dollars.

TABLE 1	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>ASSETS</b>						
Current and Other Assets	\$ 549.2	\$ 681.8	\$ 78.8	\$ 59.5	\$ 628.0	\$ 741.3
Capital Assets	2,421.3	2,568.9	7,627.7	5,409.9	10,049.0	7,978.8
<b>TOTAL ASSETS</b>	<b>2,970.5</b>	<b>3,250.7</b>	<b>7,706.5</b>	<b>5,469.4</b>	<b>10,677.0</b>	<b>8,720.1</b>
<b>LIABILITIES</b>						
Current Liabilities	4.3	24.2	1.2	1.4	5.5	25.6
Long-Term Liabilities	49.5	292.4	9.0	23.4	58.5	315.8
<b>TOTAL LIABILITIES</b>	<b>53.8</b>	<b>316.6</b>	<b>10.2</b>	<b>24.8</b>	<b>64.0</b>	<b>341.4</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	2,421.3	2,568.9	7,627.7	5,409.9	10,049.0	7,978.8
Restricted	---	---	---	---	---	---
Unrestricted	495.4	365.2	68.6	34.7	564.0	399.9
<b>TOTAL NET ASSETS</b>	<b>\$ 2,916.7</b>	<b>\$ 2,934.1</b>	<b>\$ 7,696.3</b>	<b>\$ 5,444.6</b>	<b>\$ 10,613.0</b>	<b>\$ 8,378.7</b>

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

Long-term debt in the governmental activities declined considerably between 2005 and 2006 with the retirement of \$257,000 in transportation bonds. Accumulated sick time for Village employees accounts for the remaining long-term debt in both the governmental and business-type activities.



# VILLAGE OF DIMONDALE

## Management's Discussion and Analysis

### The Village as a Whole (Continued)

Total assets in the governmental activities declined due to depreciation and a lack of capital investment activity, while total assets in the business-type activities increased as a result of an expansion of the wastewater plant and collection system. The Village's combined net assets were \$10.6 million at February 28, 2006, reflecting an increase of \$2.3 million over 2005. Capital assets (net of related debt) totaling \$10 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis. The Village continues to maintain no restricted net assets in the governmental and business-type activities. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The \$564,000 in combined unrestricted net assets reflects the accumulated results of all past years' operations. Total net assets in the governmental activities declined slightly, (\$18,000) while total net assets in the business-type activities increased by \$2.25 million.

The following table shows the revenue and expense activity during the current fiscal year and past fiscal year and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>REVENUE</b>						
Program Revenue						
Charges for services	\$ 1.4	\$ 1.2	\$ 282.9	\$ 226.6	\$ 284.3	\$ 227.8
General Revenue						
Property taxes	296.1	284.4	---	---	296.1	284.4
State entitlements	198.0	201.6	---	---	198.0	201.6
Interest earnings	19.3	16.5	1.4	.7	20.7	17.2
Other	26.9	60.5	2,495.6	---	2,522.5	60.5
<b>TOTAL REVENUE</b>	<b>541.7</b>	<b>564.2</b>	<b>2,779.9</b>	<b>227.3</b>	<b>3,321.6</b>	<b>791.5</b>
<b>EXPENSES</b>						
General Government	183.1	193.7	---	---	183.1	193.7
Public Safety	5.4	6.1	---	---	5.4	6.1
Public Works	152.4	41.7	---	---	152.4	41.7
Recreation	11.9	2.9	---	---	11.9	2.9
Interest On Long Term Debt	8.9	16.0	---	---	8.9	16.0
Depreciation (Unallocated)	198.9	192.3	---	---	198.9	192.3
Sewer	---	---	528.1	483.9	528.1	483.9
<b>TOTAL EXPENSES</b>	<b>560.6</b>	<b>452.7</b>	<b>528.1</b>	<b>483.9</b>	<b>1,088.7</b>	<b>936.6</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ -18.9</b>	<b>\$ 111.5</b>	<b>\$ 2,251.8</b>	<b>\$ -256.6</b>	<b>\$ 2,232.9</b>	<b>\$ -145.1</b>

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### *Governmental Activities*

Assets in the governmental activities decreased from 2005 to 2006 by \$18,900. The primary reasons for this decline are depreciation (\$199,000) and a decrease in other income (\$-39,600). Other revenue in 2005 benefited by a spike in the collection of tap fees from construction of the car wash, which accounts for the difference in 2006. The statewide economic slowdown continued to negatively impact revenue with a slight reduction in revenue sharing, which was compensated by a marginal increase in interest earning. Recreation-related expenses increased in 2006, as the Village continued to work toward development of the park property acquired in 2004. This increase was offset by a decrease in the cost of interest resulting from the retirement of transportation bonds. Overall, not considering the cost of depreciation, expenditures remained constant between the two fiscal years, demonstrating the Village's commitment to maintaining services and improving infrastructure while holding costs down. The Capital Improvement Plan paces major projects in order to manage cash flow, and the focus for 2006 was debt retirement. The early payoff of the transportation bonds will result in a savings in excess of \$90,000 over the term of the loan.

### *Business-type Activities*

The Village's business-type activity consists of the Sewer Fund. This fund experienced an increase in net assets, which can be attributed primarily to capital investment by Windsor Township. A rate increase of 22% accounts for the significant change in charges for services. This increase was necessary in order to address the escalating cost of operations in the areas of health insurance, utilities, gasoline, and maintenance services. Slight revenue increases also resulted from activity by Ball Septic and ACE Rentals, both of which receive contracted treatment services. The spike in other revenue is attributed to the investment by Windsor Township in an expansion of the collection system and the treatment plant. Net assets in the business-type activities experienced a 30% increase of \$2.25 million as a result of these capital improvements.

### **The Village's Funds**

Analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major Streets Fund, and the Local Streets Fund.

The General Fund pays for most of the Village's governmental services and funds capital improvements in the street funds. The General Fund is supported mainly by property taxes and state shared revenue, while the state gas and weight tax, and transfers from the General Fund finance the street funds. As we completed the year, the governmental funds reported a combined fund balance of \$536,000, which is a decrease of \$134,000 from the previous year. The principal reason for this deficit can be attributed to the early payoff of \$265,000 in bonds.

# VILLAGE OF DIMONDALE

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget in response to changing events. The most significant adjustments were due to the following circumstances:

- An increase in capital expenditures for Village Halls and Grounds (\$8,000) for the installation of a new well, and an increase in Village Halls and Ground Maintenance Services (\$2,000) for the installation and purchase of a new air conditioner.
- An increase in Drains-Public Benefit (\$2,000) for assessments incurred for drain improvements from the Eaton County Drain Commission.
- An increase in Public Works Capital Outlay (\$5,100) for the purchase of two extra street lamps and globes.

With these adjustments, total actual expenditures were \$59,000 below final budget amounts.

### Capital Asset and Debt Administration

At the end of the 2005-06 fiscal year, the Village managed capital assets valued at over \$10 million including property, buildings, roads, drains, equipment, and sewer lines. Approximately \$7 million represents investment in the wastewater treatment plant and sewer lines by Windsor Township. The most significant addition to capital assets was a \$2 million expansion of the waste water system for the purposes of serving Sanitary Sewer District #8 in Windsor Township.

Employee compensated absences account for all of the Village's long-term debt.

	Capital Assets Net of Accumulated Depreciation (dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Non-Depreciable Assets						
Land	\$ 191	\$ 191	\$ 55	\$ 55	\$ 246	\$ 246
Depreciable Assets						
Buildings	90	51	76	87	166	138
Improvements Other than Buildings	2,061	2,237	7,470	5,229	9,531	7,466
Furniture, Machinery, and Equipment	79	90	27	39	106	129
Total	\$ 2,421	\$ 2,569	\$ 7,628	\$ 5,410	\$ 10,049	\$ 7,979

### Economic Factors and Next Year's Budgets and Rates

Funds available for appropriation in the 2006-07 General Fund Budget are \$708,500, which represents a slight decrease (\$11,600) from last year. In contrast to the 2005-06 Budget, which targeted debt retirement, the 2006-07 Budget addresses a couple of major capital improvements.

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Funds are appropriated in this budget for the resurfacing of all of the streets in Dimondale Estates. In conjunction with the roadwork, the Eaton County Drain Commission will complete major repairs to the Dimondale Estates storm drain system. Total costs to the Village for both projects are estimated at \$300,000. An Inland Fisheries Grant will fund approximately 50% of a project on the Grand River that includes dam removal and river restoration. The match for this grant is provided by donations and in-kind services with limited expenditure anticipated from the General Fund. Extensive research resulted in a new health care insurance provider, MERS Premier Health, for Village employees that maintains this expense near current levels and avoids the projected 30% increase quoted by the previous carrier for this benefit.

As for the Village's business-type activity, a 9% rate increase in the 2006-07 Budget supports the accumulation of funds for future equipment replacement and capital needs. This follows a 22% increase in 2005, (the first in over 10 years) which addressed projected shortfalls due to the increasing cost of operations. In order to avoid dramatic intermittent increases in the future, a rate study is now conducted each year to determine if an increase is necessary to support current operations and future requirements. Capital improvements in the current budget are limited to replacement of the roof on Building 100 and relocation of the gasoline tanks. A major shift in administration occurred in 2005 with the resignation and replacement of the superintendent. The subsequent staffing change combined with the expertise of a contracted service resulted in a marked increase in the efficiency of operations. As a result of procedural changes related to sludge handling and a change in policy, a significant new expenditure reflected in the 2006 budget is the cost of sludge removal by an outside contractor (\$17,000). Despite this additional expense, total expenditures are budgeted at the same level as 2005-06 for the ensuing year.

### **Contacting the Village's Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Manager, 136 N. Bridge Street, Dimondale, MI 48821.

# VILLAGE OF DIMONDALE

## STATEMENT OF NET ASSETS

FEBRUARY 28, 2006

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 510,698	\$ 52,545	\$ 563,243
Due From Other Governmental Units	8,407	---	8,407
Accounts Receivable	16,389	8,054	24,443
Prepaid Expenditures	13,731	18,221	31,952
Total Current Assets	549,225	78,820	628,045
Non-current Assets			
Capital Assets	4,452,865	10,376,220	14,829,085
Less: Accumulated Depreciation	-2,031,564	-2,748,538	-4,780,102
Total Non-current Assets	2,421,301	7,627,682	10,048,983
<b>TOTAL ASSETS</b>	<b>\$ 2,970,526</b>	<b>\$ 7,706,502</b>	<b>\$ 10,677,028</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts Payable	\$ 4,333	\$ 1,251	\$ 5,584
Accrued Interest	---	---	---
Bonds Payable, Due within One Year	---	---	---
Total Current Liabilities	4,333	1,251	5,584
Non-current Liabilities			
Bonds Payable	---	---	---
Compensated Absences and Severance Pay	49,454	8,946	58,400
Total Non-current Liabilities	49,454	8,946	58,400
<b>TOTAL LIABILITIES</b>	<b>53,787</b>	<b>10,197</b>	<b>63,984</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	2,421,301	7,627,682	10,048,983
Unrestricted	495,438	68,623	564,061
<b>TOTAL NET ASSETS</b>	<b>2,916,739</b>	<b>7,696,305</b>	<b>10,613,044</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,970,526</b>	<b>\$ 7,706,502</b>	<b>\$ 10,677,028</b>

See Accompanying Notes to Financial Statements

# STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 28, 2006

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>						
Governmental Activities						
General Government	\$ 183,165	\$ ---	\$ ---	\$ -183,165	\$ ---	\$ -183,165
Public Safety	5,413	---	---	-5,413	---	-5,413
Public Works	152,390	1,450	---	-150,940	---	-150,940
Recreational and Cultural	11,921	---	1,500	-10,421	---	-10,421
Interest on Long-Term Debt	8,892	---	---	-8,892	---	-8,892
Depreciation (Unallocated)	198,897	---	---	-198,897	---	-198,897
Total Governmental Activities	560,678	1,450	1,500	-557,728	---	-557,728
Business Type Activities						
Sewer	528,091	282,864	---	---	-245,227	-245,227
Total Activities	\$ 1,088,769	\$ 284,314	\$ 1,500	\$ -557,728	\$ -245,227	\$ -802,955
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 296,149	\$ ---	\$ 296,149
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				197,954	---	197,954
Interest Earnings				19,323	1,395	20,718
Other				26,942	2,495,558	2,522,500
Total General Revenue				540,368	2,496,953	3,037,321
<b>CHANGE IN NET ASSETS</b>				-17,360	2,251,726	2,234,366
NET ASSETS - BEGINNING OF YEAR				2,934,099	5,444,579	8,378,678
<b>NET ASSETS - END OF YEAR</b>				<b>\$ 2,916,739</b>	<b>\$ 7,696,305</b>	<b>\$ 10,613,044</b>

See Accompanying Notes to Financial Statements.

# VILLAGE OF DIMONDALE

## Governmental Funds

### BALANCE SHEET

FEBRUARY 28, 2006

	General	Major Street	Local Street	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 388,619	\$ 65,200	\$ 56,879	\$ 510,698
Accounts Receivable	15,479	---	---	15,479
Due from Other Governmental Units	---	6,257	2,150	8,407
Due from Other Funds	2,091	280	---	2,371
Prepaid Expenditures	13,731	---	---	13,731
<b>TOTAL ASSETS</b>	<b>\$ 419,920</b>	<b>\$ 71,737</b>	<b>\$ 59,029</b>	<b>\$ 550,686</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 4,303	\$ 15	\$ 15	\$ 4,333
Due to Other Funds	280	741	440	1,461
Deferred Revenue	8,521	---	---	8,521
<b>TOTAL LIABILITIES</b>	<b>13,104</b>	<b>756</b>	<b>455</b>	<b>14,315</b>
<b>FUND BALANCES</b>				
Reserved for Debt Service	---	---	---	---
Unreserved, Designated	3,451	---	---	3,451
Unreserved and Undesignated	403,365	70,981	58,574	532,920
<b>TOTAL FUND BALANCES</b>	<b>406,816</b>	<b>70,981</b>	<b>58,574</b>	<b>536,371</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 419,920</b>	<b>\$ 71,737</b>	<b>\$ 59,029</b>	<b>\$ 550,686</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>				<b>\$ 536,371</b>
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets is				\$ 4,452,865
Accumulated Depreciation is				<u>-2,031,564</u>
				2,421,301
Long-term Liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds Payable				---
Compensated absences				<u>-49,454</u>
Accrued interest is not included as a liability in governmental funds				---
Deferred property tax revenue				<u>8,521</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>				<b><u>\$ 2,916,739</u></b>

See Accompanying Notes to Financial Statements.

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**

**YEAR ENDED FEBRUARY 28, 2006**

	General	Major Street	Local Street	Totals
<b>REVENUE</b>				
Property Taxes	\$ 296,149	\$ ---	\$ ---	\$ 296,149
State Grants	107,656	66,065	24,233	197,954
Charges for Services	50	1,400	---	1,450
Interest	18,512	347	464	19,323
Other	28,442	---	---	28,442
<b>TOTAL REVENUE</b>	<b>450,809</b>	<b>67,812</b>	<b>24,697</b>	<b>543,318</b>
<b>EXPENDITURES</b>				
General Government	213,245		---	213,245
Public Safety	5,413	---	---	5,413
Public Works	135,143	10,574	6,673	152,390
Recreational and Cultural	11,921	---	---	11,921
Debt Service	280,546	---	---	280,546
Capital Outlay	11,461	2,018	---	13,479
<b>TOTAL EXPENDITURES</b>	<b>657,729</b>	<b>12,592</b>	<b>6,673</b>	<b>676,994</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	<b>-206,920</b>	<b>55,220</b>	<b>18,024</b>	<b>-133,676</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>				
Operating Transfers In	---	---	---	---
Operating Transfers Out	---	---	---	---
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-206,920</b>	<b>55,220</b>	<b>18,024</b>	<b>-133,676</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>613,736</b>	<b>15,761</b>	<b>40,550</b>	<b>670,047</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 406,816</b>	<b>\$ 70,981</b>	<b>\$ 58,574</b>	<b>\$ 536,371</b>

See Accompanying Notes to Financial Statements.



# VILLAGE OF DIMONDALE

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## RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 28, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ -133,676

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

-198,897

Capital Outlay

35,447

-163,450

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

6,654

- Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

265,000

- Property tax revenue not collected is deferred in the governmental funds but not in the statement of activities

695

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds

7,417

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ -17,360

**STATEMENT OF NET ASSETS****FEBRUARY 28, 2006**

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 52,545
Accounts Receivable	8,054
Prepaid Expenses	<u>18,221</u>
Total Current Assets	<u>78,820</u>
Non-current Assets	
Capital Assets	<u>7,627,682</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 7,706,502</b></u>
 <b>LIABILITIES</b>	
Current Liabilities	
Compensated Absences	\$ 8,946
Accounts Payable	341
Due to Other Funds	<u>910</u>
Total Current Liabilities	10,197
Long-Term Liabilities	<u>---</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 10,197</b></u>
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 7,627,682
Restricted for Debt Service	---
Unrestricted	<u>68,623</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 7,696,305</b></u>

# VILLAGE OF DIMONDALE

## Proprietary Fund

### STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Sewer Fund</u>
<b>OPERATING REVENUE</b>	
Charges for Services	<u>\$ 282,864</u>
<b>OPERATING EXPENSES</b>	
Salaries	56,415
Employee Benefits	26,135
Office Supplies	4,893
Contractual Services	58,288
Supplies and Chemicals	20,670
Maintenance	16,436
Utilities	45,840
Insurance	10,089
Communication	4,438
Transportation	3,266
Depreciation	270,659
Other	9,659
Training	790
Professional Fees	<u>513</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>528,091</b></u>
<b>OPERATING INCOME &lt;LOSS&gt;</b>	<b>-245,227</b>
<b>NON-OPERATING REVENUE</b>	
Interest	1,395
Contributions from Other Governments	<u>2,495,558</u>
<b>TOTAL NON-OPERATING REVENUE</b>	<u><b>2,496,953</b></u>
<b>CHANGE IN NET ASSETS</b>	<b>2,251,726</b>
<b>NET ASSETS - BEGINNING</b>	<u><b>5,444,579</b></u>
<b>NET ASSETS - ENDING</b>	<u><u><b>\$ 7,696,305</b></u></u>

See Accompanying Notes to Financial Statements.

# STATEMENT OF CASH FLOW

FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Sewer Fund</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 284,363
Cash Payments for Goods and Services	-181,096
Cash Payments to Employees	-70,865
Cash Payments for Employee Benefits	<u>-26,135</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>6,267</b></u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Contributions from Other Government	<u>2,495,558</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>---</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Receipts of Interest and Dividends	1,395
Sale of Assets	7,113
Purchase of Assets	<u>-2,495,558</u>
<b>NET CASH PROVIDED &lt;USED&gt; BY INVESTING ACTIVITIES</b>	<u><b>-2,487,050</b></u>
<b>NET INCREASE IN CASH</b>	14,775
<b>CASH - BEGINNING OF YEAR</b>	<u>37,770</u>
<b>CASH - END OF YEAR</b>	<u><u><b>\$ 52,545</b></u></u>
<b>RECONCILIATION OF OPERATING INCOME &lt;LOSS&gt; TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income <Loss>	\$ -245,227
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	270,659
Decrease <Increase> in Accounts Receivable	1,499
Decrease <Increase> in Prepaid Expenses	-6,037
Increase <Decrease> in Accounts Payable	<u>-14,627</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u><b>\$ 6,267</b></u></u>

See Accompanying Notes to Financial Statements.

# VILLAGE OF DIMONDALE

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### A. REPORTING ENTITY:

The Village of Dimondale is a general law village located in Eaton County, Michigan. The Village operates under an elected council consisting of seven members and provides various services to its more than 1,342 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

#### B. BASIS OF PRESENTATION

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

## GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Street Fund and Local Street Fund.

## PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# VILLAGE OF DIMONDALE

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## NOTES TO FINANCIAL STATEMENTS

### **B. BASIS OF PRESENTATION (CONTINUED)**

#### PROPRIETARY FUNDS (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

### **C. BUDGETS AND BUDGETARY ACCOUNTING:**

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

### **D. PROPERTY TAXES:**

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 14. The County of Eaton prepares the tax bills for the Village of Dimondale, and the Village collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after September 14, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Village of Dimondale. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes. Such proceeds are usually of the current year in the accompanying financial statements.

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The Village is authorized to assess 12.5 mills for general operations. Millage rates levied for 2005 were 10.000 mills for operations. Total taxable value of real and personal property in the Village was \$29,385,200.

The Village is responsible for the collection of delinquent personal property taxes.

**E. CASH EQUIVALENTS:**

The Village considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**F. FINANCIAL INSTRUMENTS:**

The Village does not require collateral to support financial instruments subject to credit risk.

**G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES:**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

**H. FUND EQUITY:**

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

**I. CAPITAL ASSETS:**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-10 years
Other equipment	5-20 years



## NOTES TO FINANCIAL STATEMENTS

**J. LONG-TERM OBLIGATIONS:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**K. TOTAL COLUMNS ON COMBINED STATEMENTS:** Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**L. RISK MANAGEMENT:** The Village is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**M. ESTIMATES:** The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

**A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:**

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Village, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains all of its cash deposits at four banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

Deposits	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 398,400	\$ 398,400
Uninsured & Uncollateralized	<u>164,843</u>	<u>175,683</u>
Total Deposits	<u>\$ 563,243</u>	<u>\$ 574,083</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

### **NOTE 3 - ACCUMULATED FUND DEFICITS**

There were no accumulated fund deficits at February 28, 2006.

### **NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

The Due from Other Governmental Units at February 28, 2006, is comprised of the following:

#### Major Street Fund

State of Michigan - Act 51	\$ 6,257
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#### Local Street Fund

State of Michigan - Act 51	<u>2,150</u>
	<u>\$ 8,407</u>

**NOTE 5 - DUE TO/FROM OTHER FUNDS**

Due to/due from at February 28, 2006, consisted of the following:

<u>Due To:</u>		<u>Due From:</u>	
General Fund	\$ 910	Sewer Fund	\$ 910
General Fund	741	Major Streets	741
General Fund	440	Local Streets	440
Major Streets	<u>280</u>	General Fund	<u>280</u>
	<u>\$ 2,371</u>		<u>\$ 2,371</u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the Village's Governmental activities was as follows:

	Balance March 1, 2005	Additions and Adjustments	Disposals and Adjustments	Balance February 28, 2006
Assets not being depreciated:				
Land	\$ 191,000	\$ ---	\$ ---	\$ 191,000
Capital assets being depreciated:				
Building and building improvements	99,635	85,115	---	184,750
Vehicles	167,330	5,477	---	172,807
Furniture and equipment	48,546	---	---	48,546
Infrastructure	3,855,762	---	---	3,855,762
Subtotal	4,171,273	90,592	---	4,261,865
Accumulated depreciation:				
Building and building improvements	48,669	45,879	---	94,548
Vehicles	95,459	12,781	---	108,240
Furniture and equipment	30,776	3,674	---	34,450
Infrastructure	1,618,458	175,868	---	1,794,326
Subtotal	1,793,362	238,202	---	2,031,564
Net capital assets being depreciated	2,377,911	-147,610	---	2,230,301
Net capital assets	\$ 2,568,911	\$ -147,610	\$ ---	\$ 2,421,301

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Capital asset activity of the Village's Business-type activities was as follows:

	Balance March 1, 2005	Additions	Disposals and Adjustments	Balance February 28, 2006
Assets not being depreciated:				
Land	\$ 54,544	\$ ---	\$ ---	\$ 54,544
Capital assets being depreciated:				
Building and building improvements	476,580	---	---	476,580
Sewer System	7,199,882	2,495,558	---	9,695,440
Equipment	169,373	---	19,717	149,656
Subtotal	7,845,835	2,495,558	19,717	10,321,676
Accumulated depreciation:				
Building and building improvements	388,878	11,656	---	400,534
Sewer System	1,971,567	253,826	---	2,225,393
Equipment	130,038	5,177	12,604	122,611
Subtotal	2,490,483	270,659	12,604	2,748,538
Net capital assets being depreciated	5,355,352	2,224,899	7,113	7,573,138
Net capital assets	\$ 5,409,896	\$ 2,224,899	\$ 7,113	\$ 7,627,682

#### NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED

The Village contributes to an agent multiple-employer defined benefit pension plan covering substantially all its full-time employees. The plan is operated through the State of Michigan Municipal Employees Retirement System (MERS). The most recent period for which actuarial data is available was for the calendar year ended December 31, 2004. The Village makes monthly contributions to the plan equal to the amount accrued for pension expense. The total pension expense for the fiscal year ended February 28, 2006, was \$ 22,871, which includes amortization of past service costs over 30 years.

The Village's total current year payroll was \$217,033 for the employees participating in the plan. The Village's total payroll for all employees was \$231,949.

The MERS is regulated under Act No. 427 of the Public Acts of 1984, MCL 38.1501 et seq as last amended by 1996 PA 220.

Members do not contribute any annual compensation

Benefits vest with ten years of service, with rights to a deferred benefit commencing with twenty-five years of service, or at an actuarially reduced amount at age 50 or 55.

### NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

This pension plan provides the following provisions: Normal Retirement, Deferred Retirement, Service Retirement Allowance, Disability Retirement Allowance, Non-Duty Death Allowance, Duty Connected Death, and Post Retirement Adjustments.

#### Normal Retirement

Required vesting is ten years under the Village's MERS Plan. A member may retire after reaching the age of 60 with ten or more years of service, age 55 with 15 or more years of credited service (reduced benefit unless Benefit F55 is in effect), or upon reaching 50 with 25 or more years of credited service (reduced benefit unless Benefit F50 is in effect).

#### Deferred Retirement

A member qualifies for deferred retirement upon termination of membership before age 60, other than by retirement or death, after ten years of credited service. Retirement allowance begins upon application and satisfaction of the requirements of Section 10. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

#### Service Retirement Allowance

Credited service at time of termination of membership multiplied by:

Benefit B-2 – 2% times FAC.

Under the Village Plan, FAC-5 (Final Average Compensation over five years or the sixty highest cumulative months) is used. The retirement allowance actuarially is reduced 1/2 of 1 percent for each complete month that retirement precedes the age at which full normal retirement benefits are available.

#### Disability Retirement Allowance

A member qualifies for total and permanent disability, if disabled while employed by a participating municipality and after acquiring ten or more years of credited service time. The service requirement is waived if the disability is from service connected causes.

The allowance is computed in the same manner as a service retirement allowance except that the actuarial reduction for retirement before age 60 is not applied.

If disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly ten years of credited service if the actually acquired credited service is less than ten years.

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### Non-Duty Connected Death

If a member or vested former member with ten or more years of service dies before retirement, a monthly survivor allowance may be payable.

A named contingent survivor beneficiary (if any) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member shall not commence prior to the date the member would have first satisfied a Section 10 age and service requirement for an unreduced service retirement allowance (age 60 under the Village Plan).

The amount of a surviving spouse's retirement allowance shall be 85 percent of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50 percent of the deceased member's or a deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

### Duty-Connected Death

A duty death allowance computed in the same manner in all respects as a non-duty death allowance may be payable to a spouse or children if death occurs as the result of performance of duty with a participating municipality. The credited service requirement specified in Section 26 shall be waived. Minimum benefit is 25 percent of the deceased member's final average compensation.

If no retirement allowance becomes payable at death, the member's accumulated contributions (if any) are paid to his or her beneficiary.

The Village makes annual contributions based on the annual actuarial valuations.

### Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

**NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)**Funding Status and Progress (Continued)

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributed to inflation, (c) additional projected salary increases ranging from 0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

At December 31, 2004, the unfunded accrued liabilities were \$136,794 determined as follows:

**PENSION BENEFIT OBLIGATION**

Retirees and Beneficiaries Currently Receiving Benefits	\$ 100,845
Terminated Employees Not Yet Receiving Benefits	---
Current Employees- Accumulated employee contributions including allocated investment income	---
Employer Financed	<u>396,792</u>
<b>TOTAL PENSION BENEFIT OBLIGATION</b>	<b>497,637</b>
Net Assets Available for Benefits at actuarial value (Market value is \$352,226)	<u>360,843</u>
<b>UNFUNDED ACCRUED LIABILITIES</b> (Market value Unfunded Liability is \$145,411)	<u><u>\$ 136,794</u></u>

During the year ended December 31, 2004, the plan experienced a net change of \$19,131 in the pension benefit obligation. There were no changes in actuarial assumptions during the year. The change in the pension benefit obligation resulting from benefit changes, if any, has not been computed.

Contributions Required and Contributions Made

The system's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the credited projected benefits actuarial funding method with proration based on service.

The system uses the level percentage of payroll method to amortize any unfunded liability over a period of 30 years.

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Required Supplementary Information: Analysis of Funding Progress

Valuation Date December 31,	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Actuarial Liability	UAL as Percent of Annual Payroll
1990	\$ 56,907	\$ 122,170	215%	\$ -65,263	---%
1991	60,117	139,668	232	-79,551	---
1992	62,079	157,418	254	-95,339	---
1993	77,271	174,261	226	-96,989	---
1994	81,572	184,211	226	-102,638	---
1995	86,706	195,025	225	-108,318	---
1996	93,291	208,211	223	-114,919	---
1997	134,401	223,202	166	-88,800	---
1998	201,676	239,080	119	-37,404	---
1999	230,195	265,101	115	-34,905	---
2000	274,000	281,468	103	-7,467	---
2001	314,645	290,795	92	23,850	12
2002	399,288	299,540	75	99,748	46
2003	445,618	327,955	74	117,663	53
2004	497,637	360,843	73	136,794	60

Notes: Actuarial assumptions were revised for 1993, 1997, 2000, and 2004 actuarial valuations. The funding method was changed to entry age normal for the 1993 valuation.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

## **NOTE 8 - JOINT VENTURE**

In October 1995, the Village entered into an agreement with the Township of Windsor to create a wastewater treatment plant to serve the residents of the Village and the Township. The existing Village sewer plant was renovated and improved to accommodate the additional users.



**NOTE 8 - JOINT VENTURE (CONTINUED)**

It was the intent of the Village and Township to create a separate entity to administer the sewer plant when construction was completed. This entity began March 1, 1997, and is a component unit of the Village.

**NOTE 9 - BONDS PAYABLE**

In 2000, the Village issued bonds totaling \$325,000 for street improvements. Interest rates varied from 5.25% to 6.40% over the life of the bonds. On October 1, 2005, the Village paid off the remaining \$250,000 of the bonds. At February 28, 2006, there were no further obligations.

**NOTE 10 - BUDGETARY ACCOUNTING**

During the year ended February 28, 2006, the Village incurred expenditures that were in excess of the amounts appropriated in the following:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
MAJOR STREETS FUND			
Capital Outlay	\$ 2,000	\$ 2,018	\$ 18

**NOTE 11 - FUND BALANCE**

Components of Fund Balance at February 28, 2006, are as follows:

A) \$3,451 of fund balance in the General Fund is designated. This amount represents money collected for future improvements on the Cherry Street Drain.

**NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND**

The Village maintains one Enterprise Fund providing sewer services. Segment information for the year ended February 28, 2006, is as follows:

Operating Revenues	\$ 282,864
Operating Expenses Before Depreciation	257,432
Depreciation	270,659
Operating Income <Loss>	-245,227
Net Earnings <Loss>	2,251,726
Total Assets	7,706,502
Long-Term Debt-Payable From Operating Revenue	---
Total Net Assets	\$ 7,696,305

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### **NOTE 13 - RISK MANAGEMENT AND LITIGATION**

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 28, 2006, no claims exist, and no provision has been entered into the accounting records.

**REQUIRED SUPPLEMENTAL INFORMATION**

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED FEBRUARY 28, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Property Taxes	\$ 293,200	\$ 293,200	\$ 296,098	\$ 2,898
State Grants	109,000	109,000	107,656	-1,344
Charges for Services	---	---	50	50
Interest	6,000	6,000	18,512	12,512
Other	23,200	23,200	28,442	5,242
Transfers In	---	---	---	---
<b>TOTAL REVENUE</b>	<b>431,400</b>	<b>431,400</b>	<b>450,758</b>	<b>19,358</b>
<b>EXPENDITURES</b>				
General Government	234,200	238,200	213,197	25,003
Public Safety	15,350	15,350	5,413	9,937
Public Works	140,600	142,600	135,143	7,457
Recreation and Culture	29,000	27,000	11,921	15,079
Debt Service	281,000	281,000	280,546	454
Capital Outlay	---	13,100	11,461	1,639
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>700,150</b>	<b>717,250</b>	<b>657,681</b>	<b>59,569</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>-268,750</b>	<b>-285,850</b>	<b>-206,923</b>	<b>78,927</b>
<b>BUDGETARY FUND BALANCE - MARCH 1, 2005</b>	<b>613,736</b>	<b>613,736</b>	<b>613,736</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - FEBRUARY 28, 2006</b>	<b>\$ 344,986</b>	<b>\$ 327,886</b>	<b>\$ 406,813</b>	<b>\$ 78,927</b>

# VILLAGE OF DIMONDALE

Major Streets

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED FEBRUARY 28, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
State Grants	67,000	67,000	66,065	-935
Charges for Services	1,200	1,200	1,400	200
Interest	150	150	347	197
Other	---	---	---	---
Transfers In	---	---	---	---
<b>TOTAL REVENUE</b>	<b>68,350</b>	<b>68,350</b>	<b>67,812</b>	<b>-538</b>
<b>EXPENDITURES</b>				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	20,970	20,970	10,574	10,396
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	2,000	2,000	2,018	-18
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>22,970</b>	<b>22,970</b>	<b>12,592</b>	<b>10,378</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>45,380</b>	<b>45,380</b>	<b>55,220</b>	<b>9,840</b>
<b>BUDGETARY FUND BALANCE - MARCH 1, 2005</b>	<b>15,761</b>	<b>15,761</b>	<b>15,761</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - FEBRUARY 28, 2006</b>	<b>\$ 61,141</b>	<b>\$ 61,141</b>	<b>\$ 70,981</b>	<b>\$ 9,840</b>

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED FEBRUARY 28, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
State Grants	23,000	23,000	24,233	1,233
Charges for Services	---	---	---	---
Interest	150	150	464	314
Other	---	---	---	---
Transfers In	---	---	---	---
<b>TOTAL REVENUE</b>	<b>23,150</b>	<b>23,150</b>	<b>24,697</b>	<b>1,547</b>
<b>EXPENDITURES</b>				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	12,060	12,060	6,673	5,387
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	11,000	11,000	---	11,000
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>23,060</b>	<b>23,060</b>	<b>6,673</b>	<b>16,387</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>90</b>	<b>90</b>	<b>18,024</b>	<b>17,934</b>
<b>BUDGETARY FUND BALANCE - MARCH 1, 2005</b>	<b>40,550</b>	<b>40,550</b>	<b>40,550</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE – FEBRUARY 28, 2006</b>	<b>\$ 40,640</b>	<b>\$ 40,640</b>	<b>\$ 58,574</b>	<b>\$ 17,934</b>

**OTHER SUPPLEMENTAL INFORMATION**

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## **GENERAL FUND**



# VILLAGE OF DIMONDALE

## General Fund

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2006

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
Taxes	\$ 293,200	\$ 296,098	\$ 2,898
State Shared Revenue	109,000	107,656	-1,344
Eaton County Grant	---	1,500	1,500
Reimbursements	4,000	5,281	1,281
Charges for Service	---	50	50
Interest	6,000	18,512	12,512
Rentals	5,300	6,411	1,111
CATV Franchise	6,800	6,507	-293
Payroll Administration	3,600	3,600	---
Tap Fee	3,500	3,500	---
Miscellaneous	---	1,643	1,643
<b>TOTAL REVENUE</b>	<b>431,400</b>	<b>450,758</b>	<b>19,358</b>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Village Council	14,600	9,498	5,102
Village President	2,900	2,040	860
Elections	---	---	---
Attorney	6,000	2,497	3,503
Clerk's Office	87,500	80,625	6,875
Auditor	1,000	861	139
Treasurer	500	263	237
Village Hall and Grounds	9,300	9,364	-64
Christmas Decorations	250	---	250
Engineers	5,000	4,034	966
Rubbish Collection	42,000	39,168	2,832
Employee Benefits	62,150	58,050	4,100
Insurance	7,000	6,797	203
	<b>\$ 238,200</b>	<b>\$ 213,197</b>	<b>\$ 25,003</b>

	Budget	Actual	Variance Favorable <Unfavorable>
<b>EXPENDITURES (CONTINUED)</b>			
PUBLIC SAFETY			
Code Enforcement	\$ 2,600	\$ 1,620	\$ 980
Emergency Disaster	5,000	---	5,000
Fire Chief	350	350	---
Planning Commission	7,400	3,443	3,957
	15,350	5,413	9,937
PUBLIC WORKS			
Public Works	126,100	123,712	2,388
Sidewalks	4,500	3,080	1,420
Trees	10,000	7,070	2,930
Drains	2,000	1,281	719
	142,600	135,143	7,457
RECREATION AND CULTURAL			
Parks and Recreation	27,000	11,921	15,079
DEBT SERVICE	281,000	280,546	454
CAPITAL OUTLAY	13,100	11,461	1,639
<b>TOTAL EXPENDITURES</b>	<b>717,250</b>	<b>657,681</b>	<b>59,569</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	<b>-285,850</b>	<b>-206,923</b>	<b>78,927</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>-285,850</b>	<b>-206,923</b>	<b>78,927</b>
FUND BALANCE - March 1, 2005	613,736	613,736	---
<b>FUND BALANCE - February 28, 2006</b>	<b>\$ 327,886</b>	<b>\$ 406,813</b>	<b>\$ 78,927</b>

**SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

**FEBRUARY 28, 2006**

	Major Streets	Local Streets	Totals
<b>ASSETS</b>			
Cash	\$ 65,200	\$ 56,879	\$ 122,079
Accounts Receivable	---	---	---
Prepaid Expenses	---	---	---
Due from State	6,257	2,150	8,407
Due from General Fund	280	---	280
<b>TOTAL ASSETS</b>	<b>\$ 71,737</b>	<b>\$ 59,029</b>	<b>\$ 130,766</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 15	\$ 15	\$ 30
Due to other Funds	741	440	1,181
<b>TOTAL LIABILITIES</b>	<b>756</b>	<b>455</b>	<b>1,211</b>
<b>FUND EQUITY</b>			
Fund Balance - Unreserved	70,981	58,574	129,555
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 71,737</b>	<b>\$ 59,029</b>	<b>\$ 130,766</b>

# VILLAGE OF DIMONDALE

## Special Revenue Funds

### COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED FEBRUARY 28, 2006

	Major Streets	Local Streets	Totals
<b>REVENUE</b>			
Grants	\$ 66,065	\$ 24,233	\$ 90,298
Miscellaneous Services	1,400	---	1,400
Interest	347	464	811
<b>TOTAL REVENUE</b>	<b>67,812</b>	<b>24,697</b>	<b>92,509</b>
<b>EXPENDITURES</b>			
Public Works	10,574	6,673	17,247
Capital Outlay	2,018	---	2,018
<b>TOTAL EXPENDITURES</b>	<b>12,592</b>	<b>6,673</b>	<b>19,265</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>55,220</b>	<b>18,024</b>	<b>73,244</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>55,220</b>	<b>18,024</b>	<b>73,244</b>
<b>FUND BALANCE - March 1, 2005</b>	<b>15,761</b>	<b>40,550</b>	<b>56,311</b>
<b>FUND BALANCE - February 28, 2006</b>	<b>\$ 70,981</b>	<b>\$ 58,574</b>	<b>\$ 129,555</b>

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**Major Streets Fund****STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL****FOR THE YEAR ENDED FEBRUARY 28, 2006**

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
State Grants	\$ 67,000	\$ 66,065	\$ -935
Interest	150	347	197
Miscellaneous Services	1,200	1,400	200
<b>TOTAL REVENUE</b>	<b>68,350</b>	<b>67,812</b>	<b>-538</b>
<b>EXPENDITURES</b>			
<b>PUBLIC WORKS</b>			
Routine Maintenance	7,710	2,909	4,801
Traffic Services	1,600	918	682
Non-motorized	400	---	400
Winter Maintenance	9,510	6,209	3,301
Administration	1,750	538	1,212
Capital Outlay	2,000	2,018	-18
<b>TOTAL EXPENDITURES</b>	<b>22,970</b>	<b>12,592</b>	<b>10,378</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>45,380</b>	<b>55,220</b>	<b>9,840</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>45,380</b>	<b>55,220</b>	<b>9,840</b>
<b>FUND BALANCE - March 1, 2005</b>	<b>15,761</b>	<b>15,761</b>	<b>---</b>
<b>FUND BALANCE - February 28, 2006</b>	<b>\$ 61,141</b>	<b>\$ 70,981</b>	<b>\$ 9,840</b>

# VILLAGE OF DIMONDALE

## Local Streets Fund

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2006

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
State Grants	\$ 23,000	\$ 24,233	\$ 1,233
Interest	150	464	314
Miscellaneous Revenue	---	---	---
<b>TOTAL REVENUE</b>	<b>23,150</b>	<b>24,697</b>	<b>1,547</b>
<b>EXPENDITURES</b>			
<b>PUBLIC WORKS</b>			
Routine Maintenance	4,100	984	3,116
Traffic Services	500	13	487
Non-motorized	150	---	150
Winter Maintenance	6,310	5,338	972
Administration	1,000	338	662
Capital Outlay	11,000	---	11,000
<b>TOTAL EXPENDITURES</b>	<b>23,060</b>	<b>6,673</b>	<b>16,387</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>90</b>	<b>18,024</b>	<b>17,934</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>90</b>	<b>18,024</b>	<b>17,394</b>
<b>FUND BALANCE - March 1, 2005</b>	<b>40,550</b>	<b>40,550</b>	<b>---</b>
<b>FUND BALANCE - February 28, 2006</b>	<b>\$ 40,640</b>	<b>\$ 58,574</b>	<b>\$ 17,934</b>

3775 Kimmel Road

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council  
Village of Dimondale

We have audited the general purpose financial statements of the Village of Dimondale as of and for the year ended February 28, 2006, and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Dimondale's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Dimondale's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Village Council, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.  
Certified Public Accountant

April 28, 2006



**Karl L. Drake, P.C.**  
**Certified Public Accountant**

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Horton, Michigan 49246

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Email: [kldrake@voyager.net](mailto:kldrake@voyager.net)

April 28, 2006

To the Village Council  
Dimondale, Michigan

I have recently completed the audit of the books and records of the Village of Dimondale for the year ended February 28, 2006, and would like to take this opportunity to make the following comments and recommendations.

Financial Overview

The General Fund fund balance decreased by \$206,923 this year. This was primarily caused by the early pay-off of \$250,000 of bonds. The remaining fund balance in the General Fund is \$406,813.

The Major Streets Fund fund balance increased by \$55,220. There was very little activity in the Major Streets fund, allowing the Act 51 revenues received from the State of Michigan to be carried forward for future projects. The ending fund balance in the Major Streets Fund is \$70,981.

The Local Streets Fund fund balance increased by \$18,024. The ending fund balance in the Local Streets Fund is \$58,574.

The Sewer Fund retained earnings increased by \$2,251,726. The primary reason for this increase was capital activity paid for by Windsor Township. This activity is displayed as revenue for the Sewer Fund, and the fixed assets invested in by the Township are depreciated in the Village sewer fund over the useful life of the assets. The Sewer fund shows an operating loss before the Township activity of \$245,227, which includes over \$270,000 of depreciation expense. Revenues increased by \$56,000 over the prior year level, and other than depreciation, expenses remained relatively stable. Salary costs were lower, but contracted services were higher. Cash in the bank at the end of the year was \$14,775 higher than last year.

### Accounting Records

Denise Parisian and Betsy Kelly are doing an excellent job of maintaining your books and records. The audit required a minimal amount of adjusting entries, and both were very helpful in answering my questions and tracking down information that I requested.

Thank you for the opportunity to work with the Village of Dimondale. If there are any questions regarding any aspect of the audit, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake". The signature is written in dark ink and is positioned below the word "Sincerely,".

Karl L. Drake, CPA